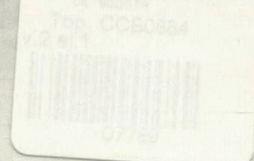


CCB-0684

Vol. 2 Ej.
No. 1



CAMARA DE COMERCIO DE BOGOTA

La Gerencia del Futuro

La última gran oportunidad

Edward E. Lawler III

Santafé de Bogotá, D. C., 16 de septiembre de 1994

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DE
PRESIDENTES

SEMANARIO DE ECONOMIA Y NEGOCIOS
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07789



CAMARA DE COMERCIO DE BOGOTA

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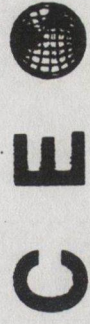


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Change Is The Only Constant

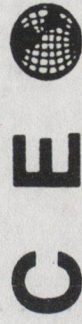


An Accelerating Rate Of Change is Only Constant



C E

If You Are Not Changing At An Accelerating Rate, You Are At Risk



Survivors - 1992

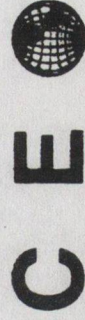
- **General Electric**
- **AT & T**
- **Exxon**



C E

Survivors - 1992

- **General Electric**
- **AT & T**
- **Exxon**



Better and Better at the Wrong Things

- **General Motors**
- **IBM**
- **Kodak**
- **Sears**

Characteristics of Dinosaurs

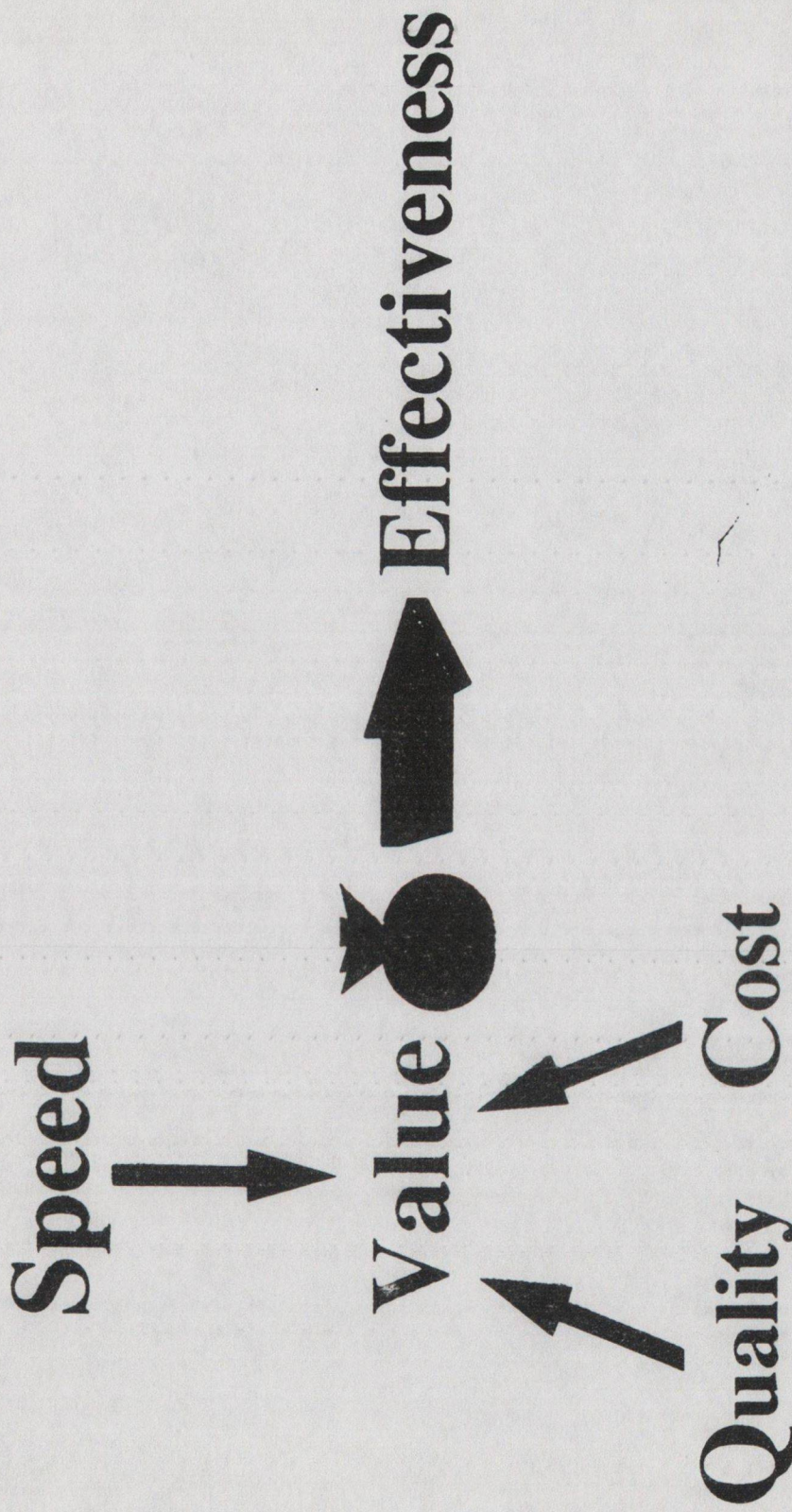
- **Successful**
- **Large**
- **Hierarchical**
- **Bureaucratic**
- **Internal Focus**
- **Budget Objectives**
- **Functional Specialization**
- **If It isn't Broke**



Forces Shaping Competition

- 
- ✓ **Global Economy**
 - ✓ **Buyer Power**
 - ✓ **Information and Computer Technology**
 - ✓ **New World Order**
 - ✓ **Active Host Governments**
 - ✓ **Reduced Trade Barriers**
 - ✓ **New Technical Knowledge**

PERFORMANCE IMPERATIVE



Sources of Competitive Advantage

- **Natural Resources**
- **Economic/Financial**
- **Strategic/Marketing**
- **Technological**
- **Human Assets**
- **Organizational**

Why Organization

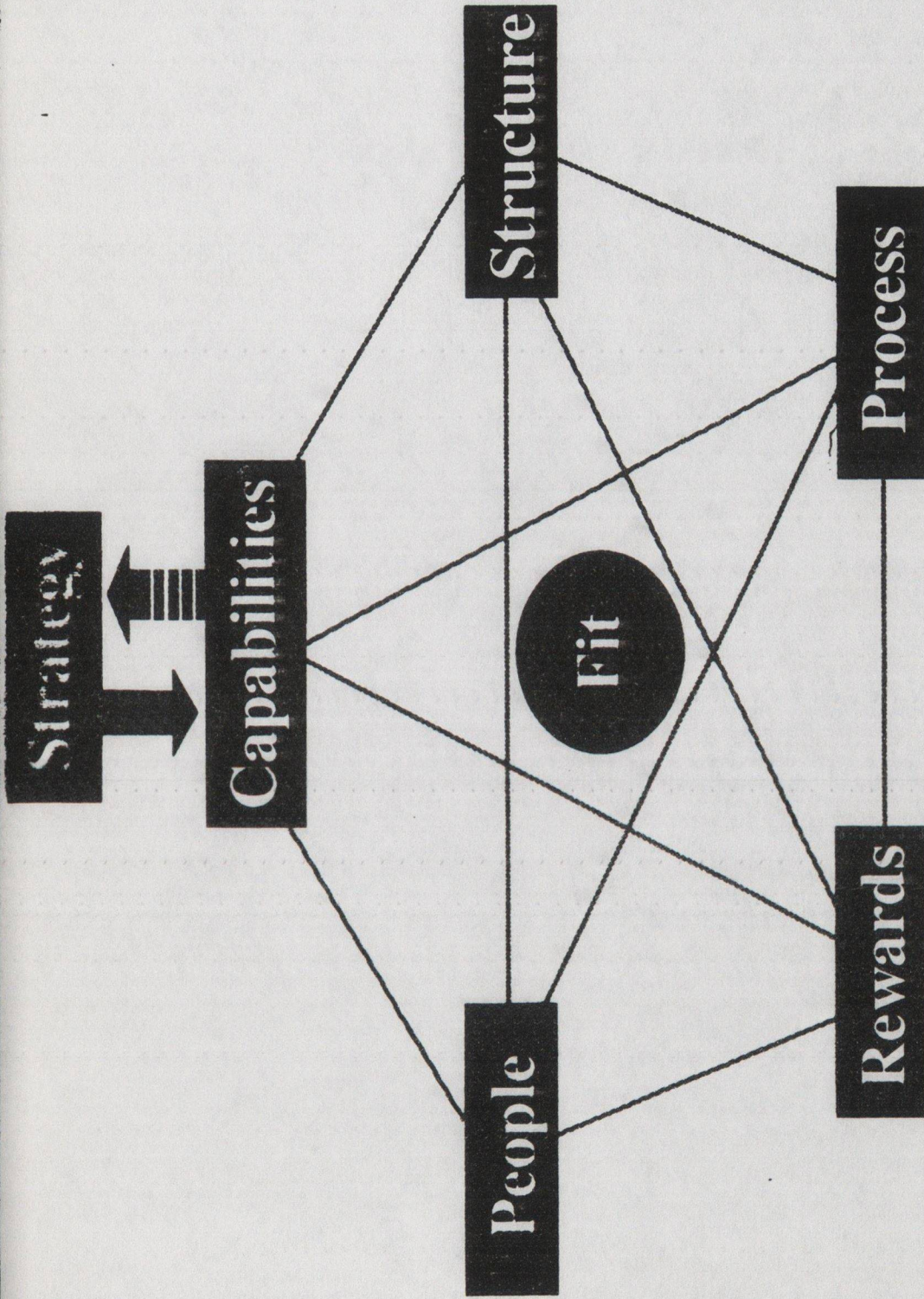
- Immature Advantage
- Performance Improvement
 - ✓ *Continuous/Incremental*
 - ✓ *Transformational*
- Hard to Duplicate
- Not Available to All

Why Not Organization

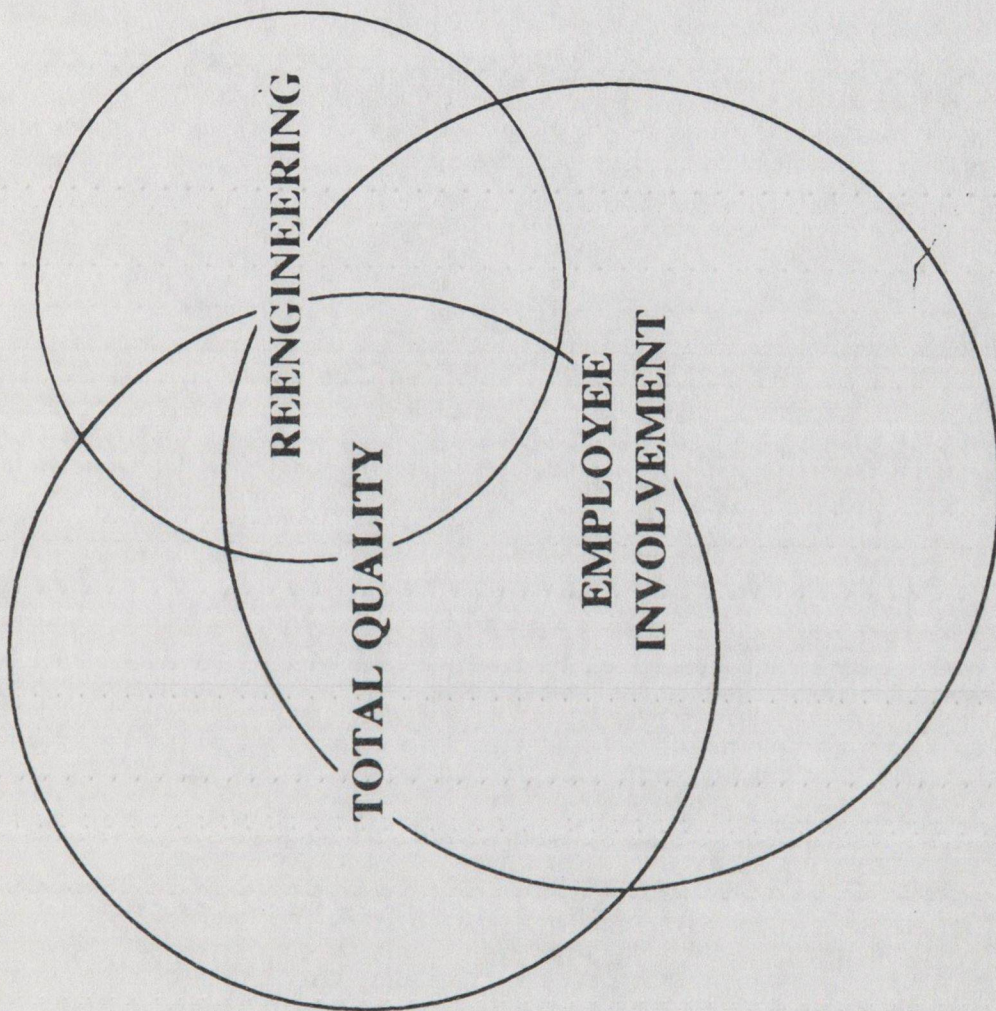
- **Hard to Establish**
- **Costly**
- **Time Lag**
- **Senior Leadership Required**

Organizational Capabilities

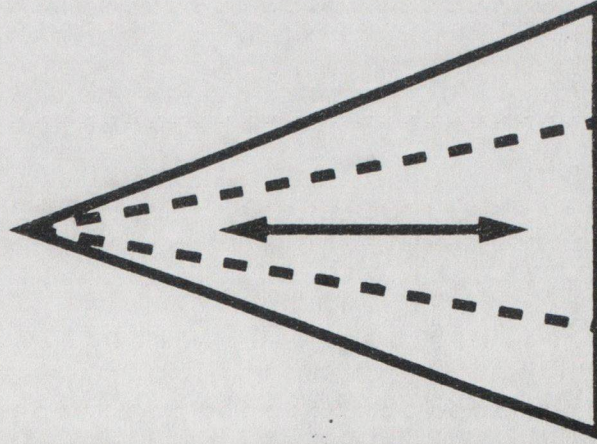
- ✓ Quality Focus
- ✓ Quick Response
- ✓ Innovation
- ✓ Customer Focus
- ✓ Stateless/Global
- ✓ Partnering
- ✓ Change Management
- ✓ Learning
- ✓ Growth
- ✓ Cost Control



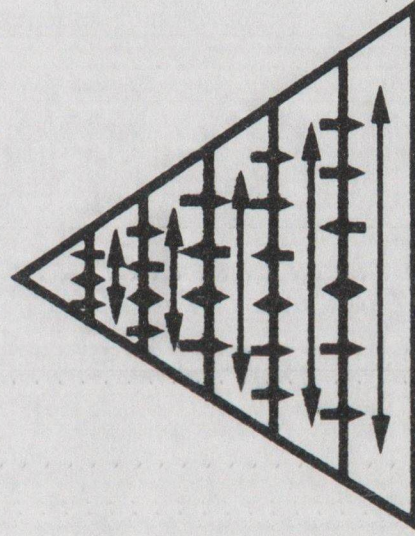
C E



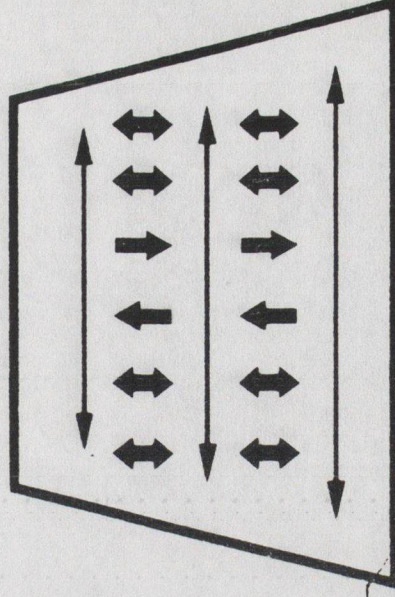
Traditional



Transitional



Lateral



KNOWLEDGE:

of the work, the business and the total work system

INFORMATION:

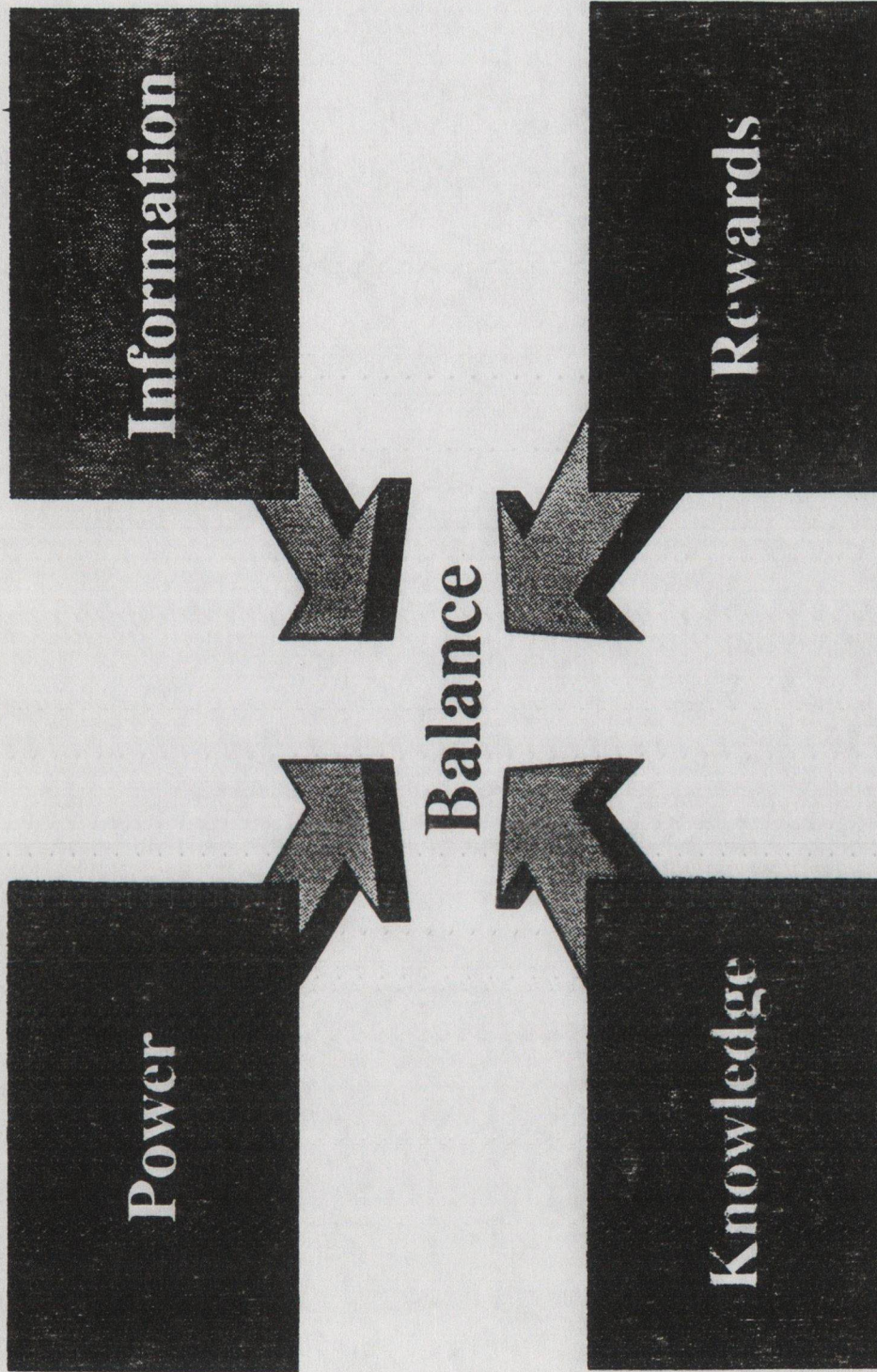
about processes, quality, customer feedback, events and business results

POWER:

to act and make decisions about the work in all its aspects

REWARDS:

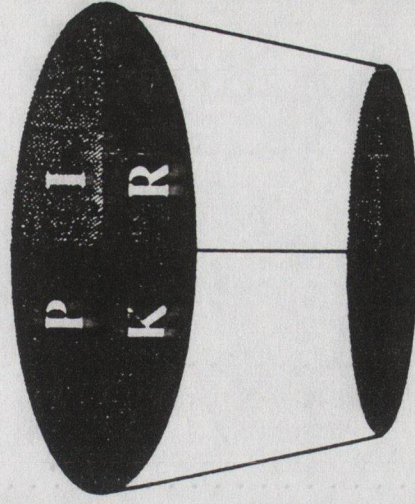
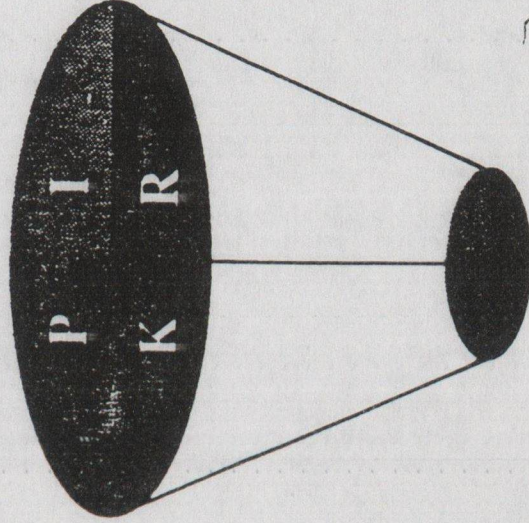
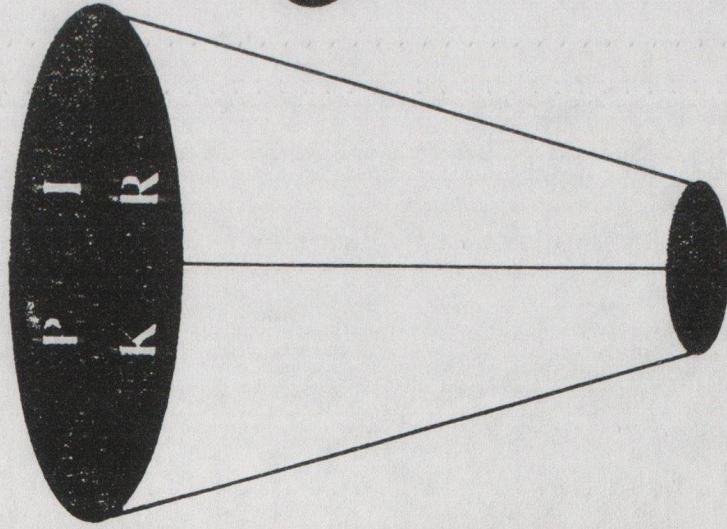
tied to business results and growth in capability and contribution

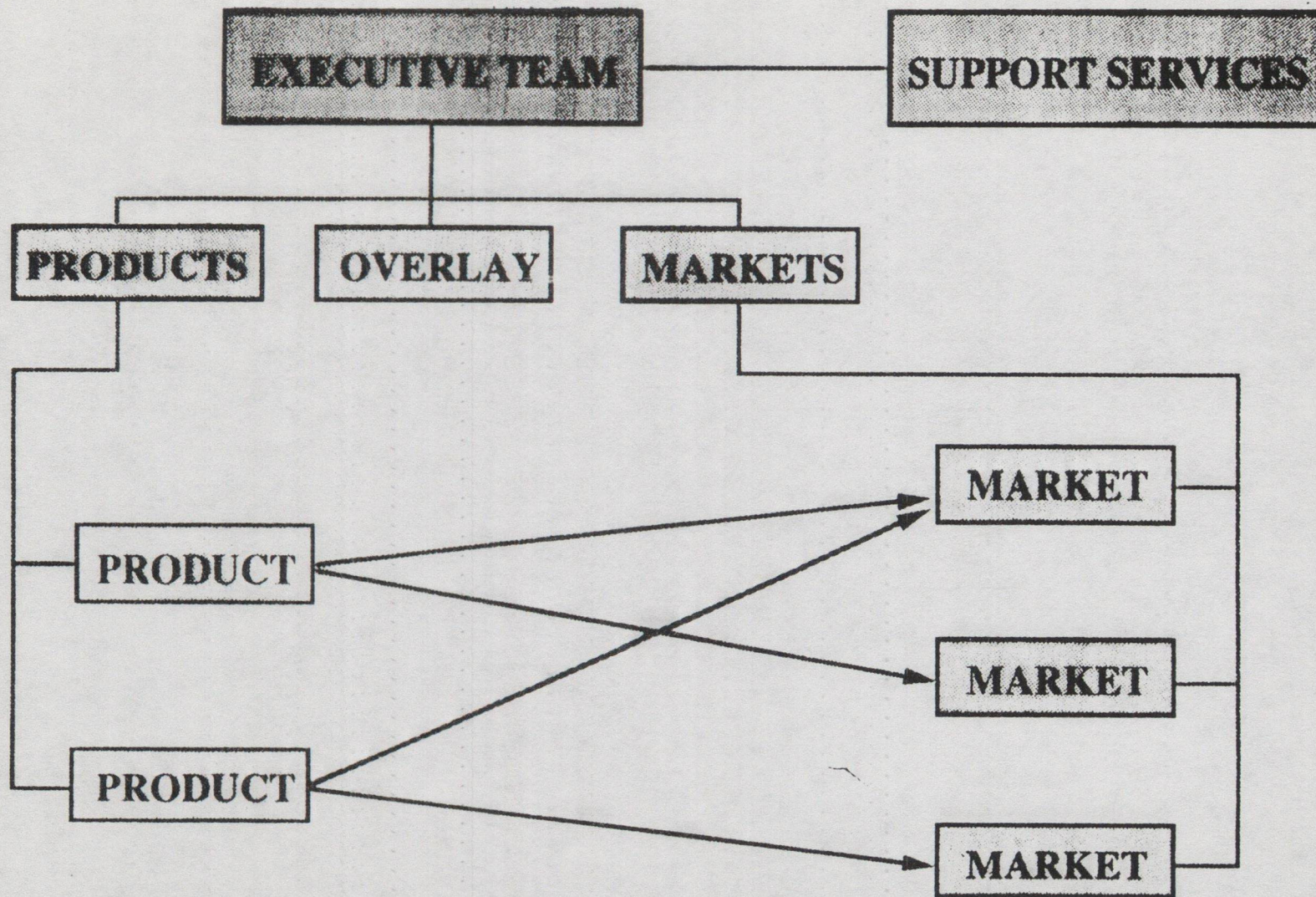


Hierarchical

Downsized

**High
Performance**



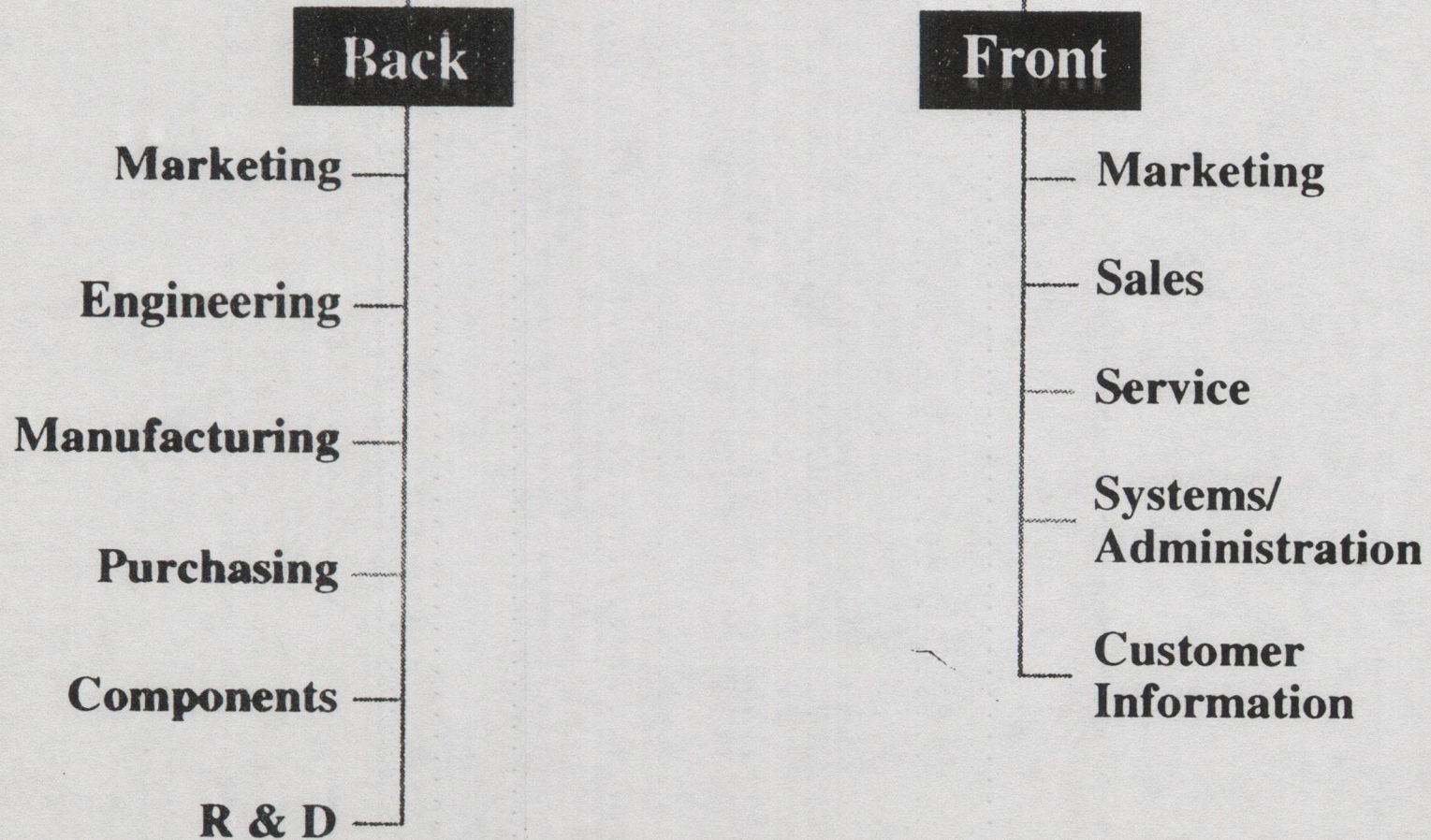


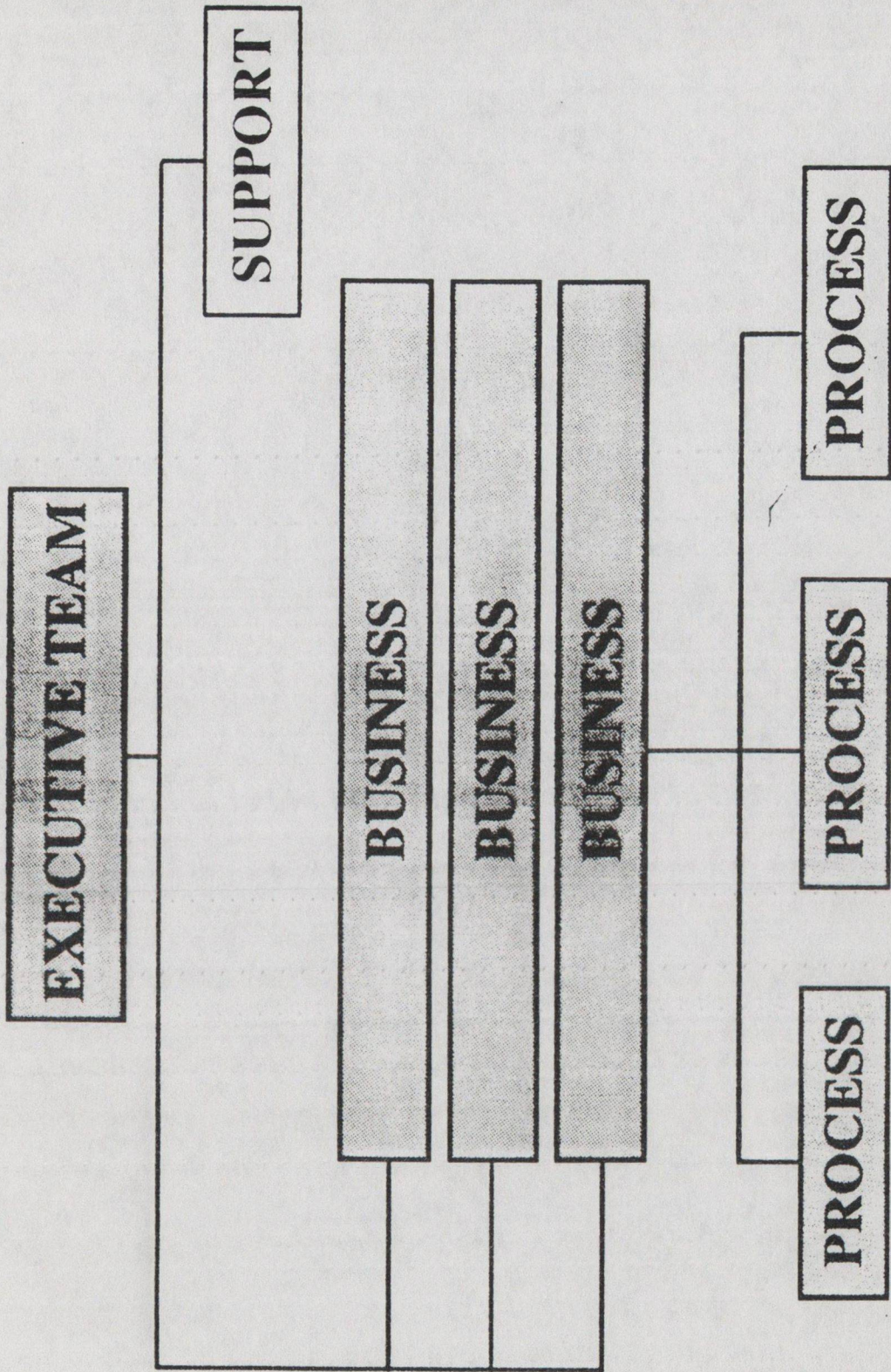
Front - Back Organization

Product/Technology

CEO

Customer/Geography





Strategic Processes



Sourcing

Producing

Distribution

Order Fulfillment

Marketing + Sales

Service

Support Processes

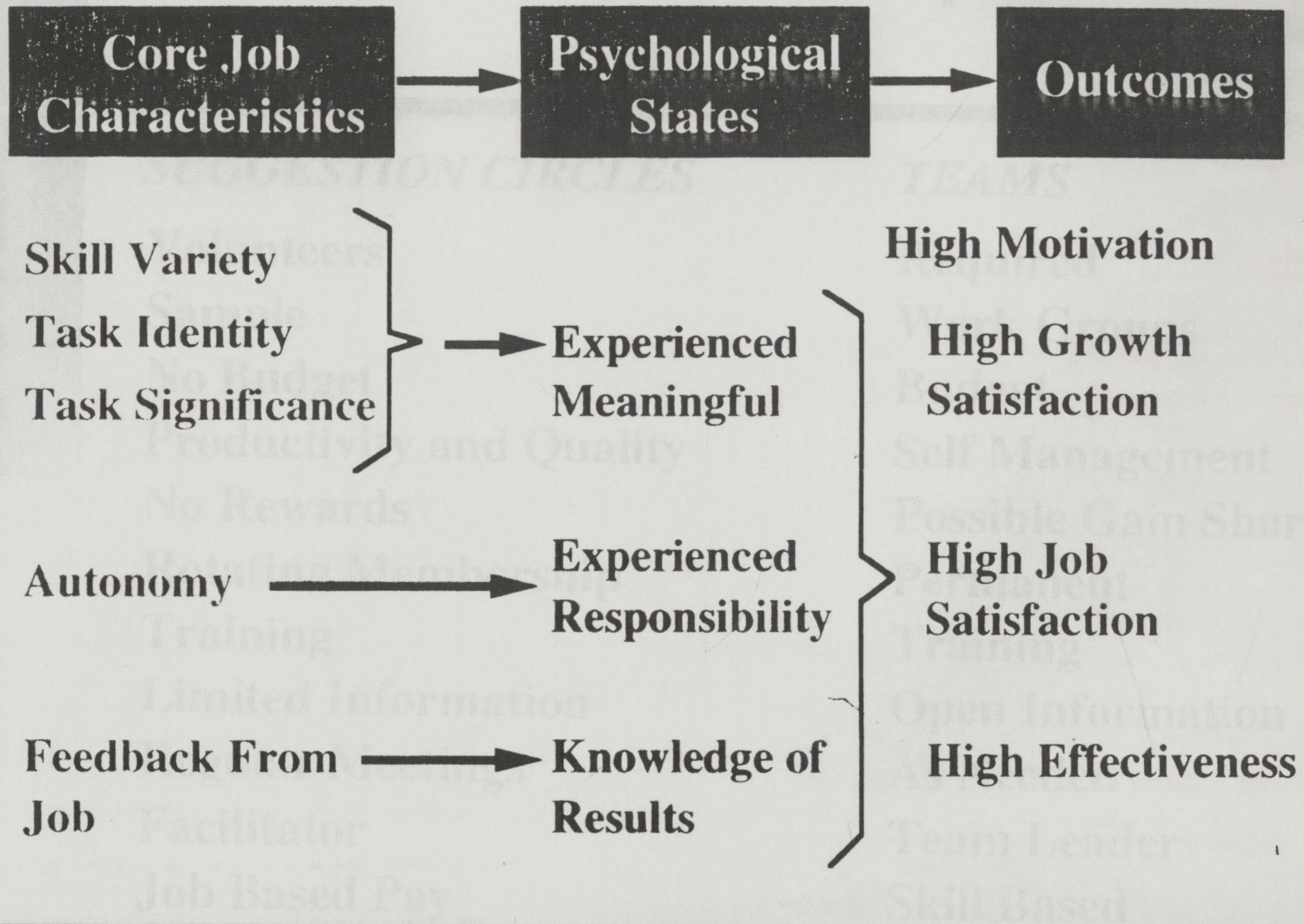
CONFIDENTIAL

5244-1-1115

Power Sharing Practices

<i>Percent Having</i>	1987	1990	1993
Quality Circles	61	67	66
Participation Groups Other Than QCs	70	85	91
Union-Mgmt. QWL Committees	30	40	38
Survey Feedback	68	78	85
Job Enrichment Or Redesign	60	75	81
Self Managing Work Teams	28	46	67
Mini Enterprise	25	28	43

JOB ENRICHMENT MODEL



Involvement Groups

SUGGESTION CIRCLES

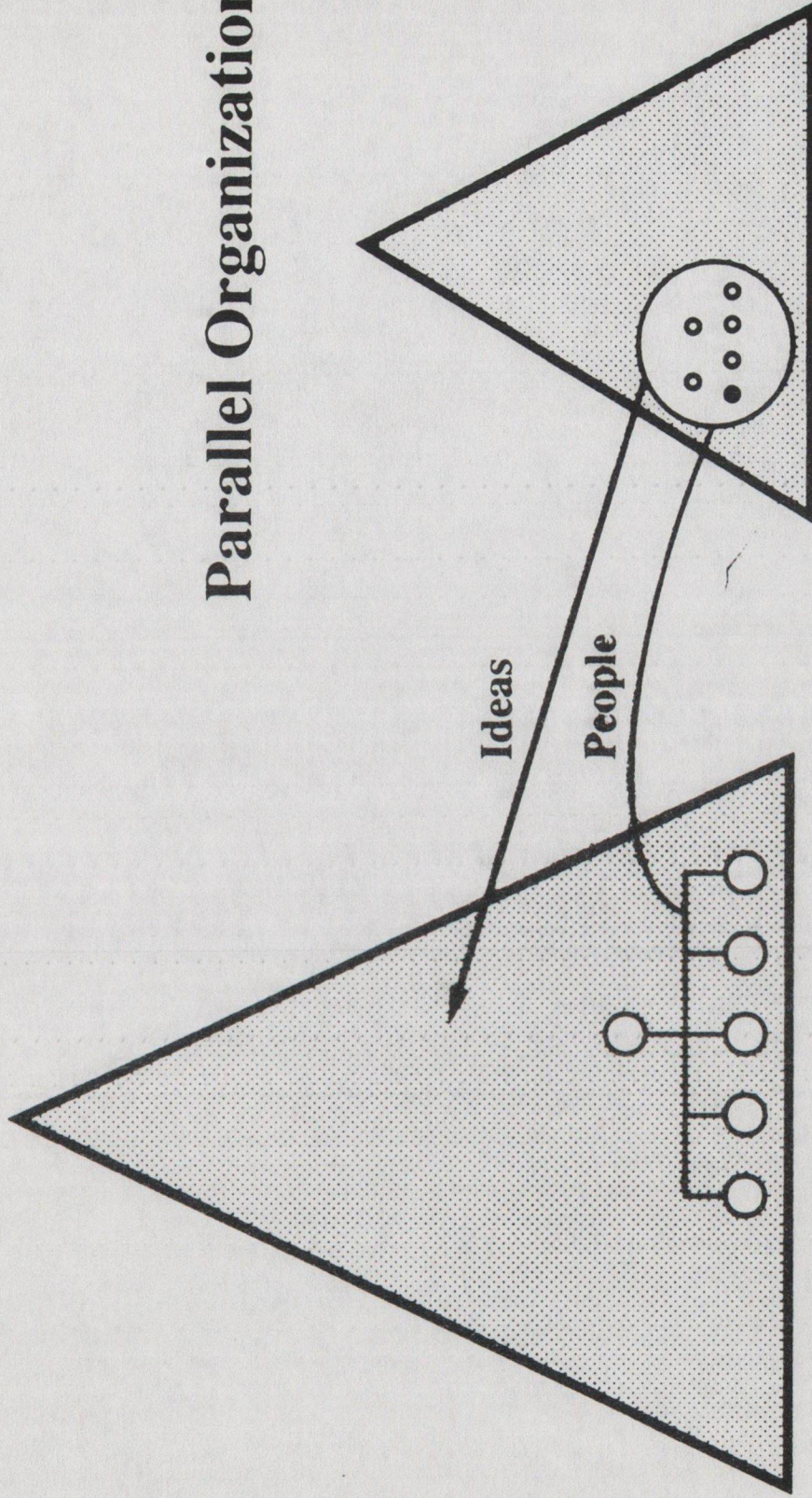
Volunteers
Sample
No Budget
Productivity and Quality
No Rewards
Rotating Membership
Training
Limited Information
Regular Meetings
Facilitator
Job Based Pay

TEAMS

Required
Work Groups
Budget
Self Management
Possible Gain Sharing
Permanent
Training
Open Information
As Needed
Team Leader
Skill Based

Work Organization

Parallel Organization

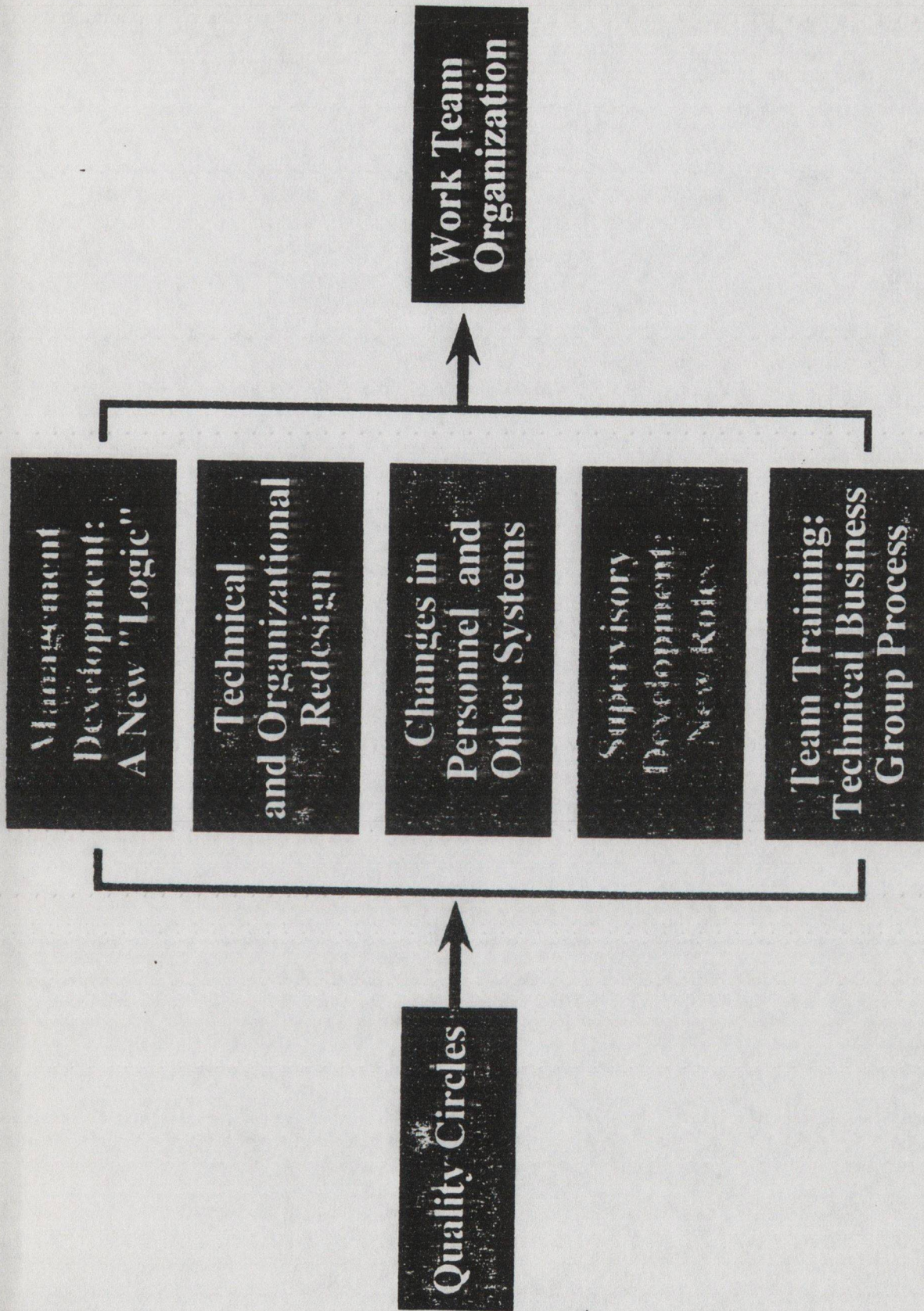


Strengths of Parallel Model

- **Quick Start**
- **Business as Usual for Most**
- **Small Disruption**
- **Skill Building**
- **Positive Response From Participants**
- **Ideas Produced**

Problems with Parallel Model

- **Increased Expectations for Growth and Organization Change**
- **Extra Budget**
- **Programs End**
- **Middle Management Resistance**
- **Many Non-Participants**
- **Little Ability to Change Organization**
- **No Rewards**
- **Focus on Estimated Savings Not Actual Savings**
- **Participants have Limited Knowledge of Business
and Production Processes**
- **Groups Die**



When Are Work Teams Appropriate?

Nature of The Work

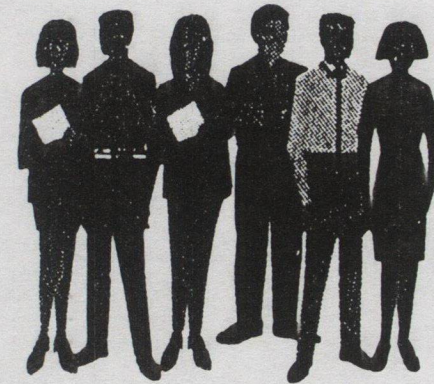
- Interdependence
- Uncertainty
- Boundedness

Team Output/Objectives

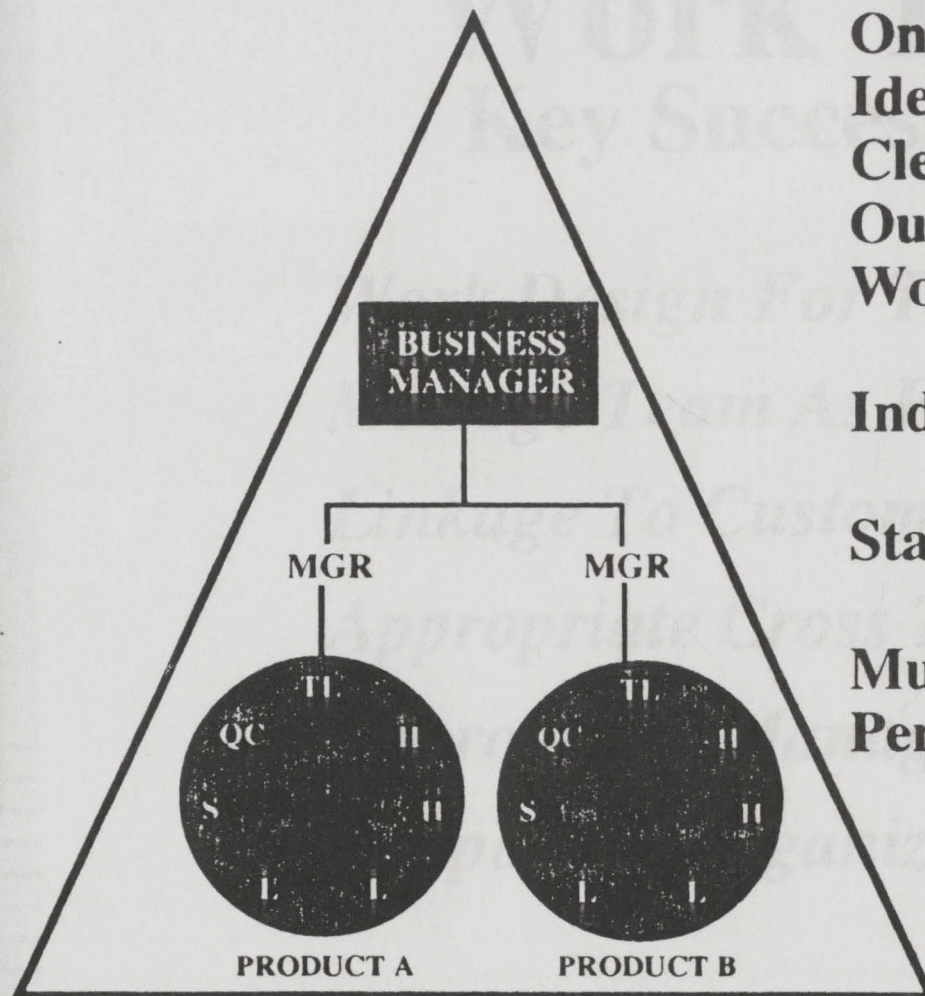
Diverse Perspectives

Flexibility

Supportive Management Values



WORK TEAMS



Product Assembly Unit

Characteristics

Produce Products Or Services

Ongoing Work

Identifiable, Self-Contained Unit

Clear Boundary Conditions

Output Measurable

Work Process Controllable

By Team

Individuals Report Through

Team

Stable, Necessary Competencies

In Team

Multiskilled Members

Permanent

Work Teams

Key Success Factors

Work Design For Teams

Manage Team As Performing Unit

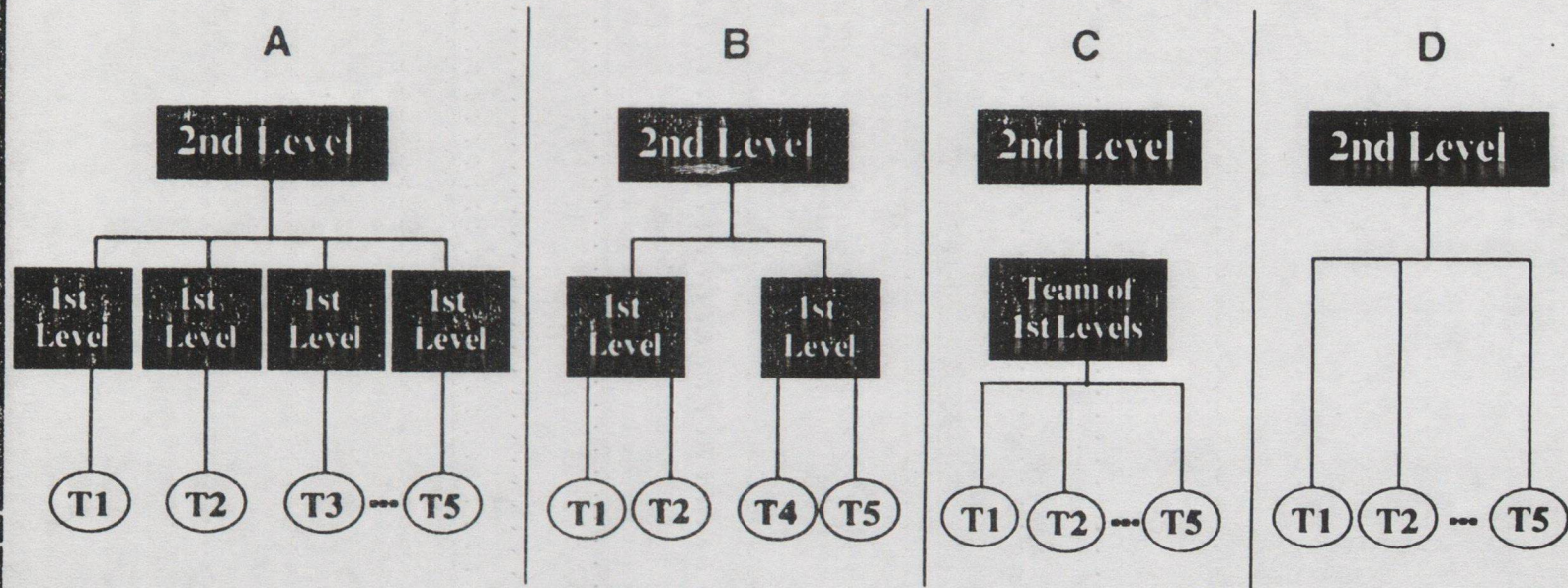
Linkage To Customers

Appropriate Cross Training

Appropriate Managerial Authority

Supportive Organizational Systems

Alternative Managerial Structures



Key: T1=Team 1; T2= Team 2; T3=Team 3;
T4= Team 4; T5=Team 5

SKILLS

Learning
Time
Months

A.

B.

C.

D.

E.

F.

G.

H.

4

2

6

2

3

1

3

2

1.

X

X

X

X

X

X

X

X

2.

X.

X.

X.

X.

X

X

X

X

3.

X.

X.

X.

X.

X

X

4.

X.

X.

X.

X.

X

X

5.

X

X

X

X

6.

X

X

X

X

7.

X

X

X

X

8.

X

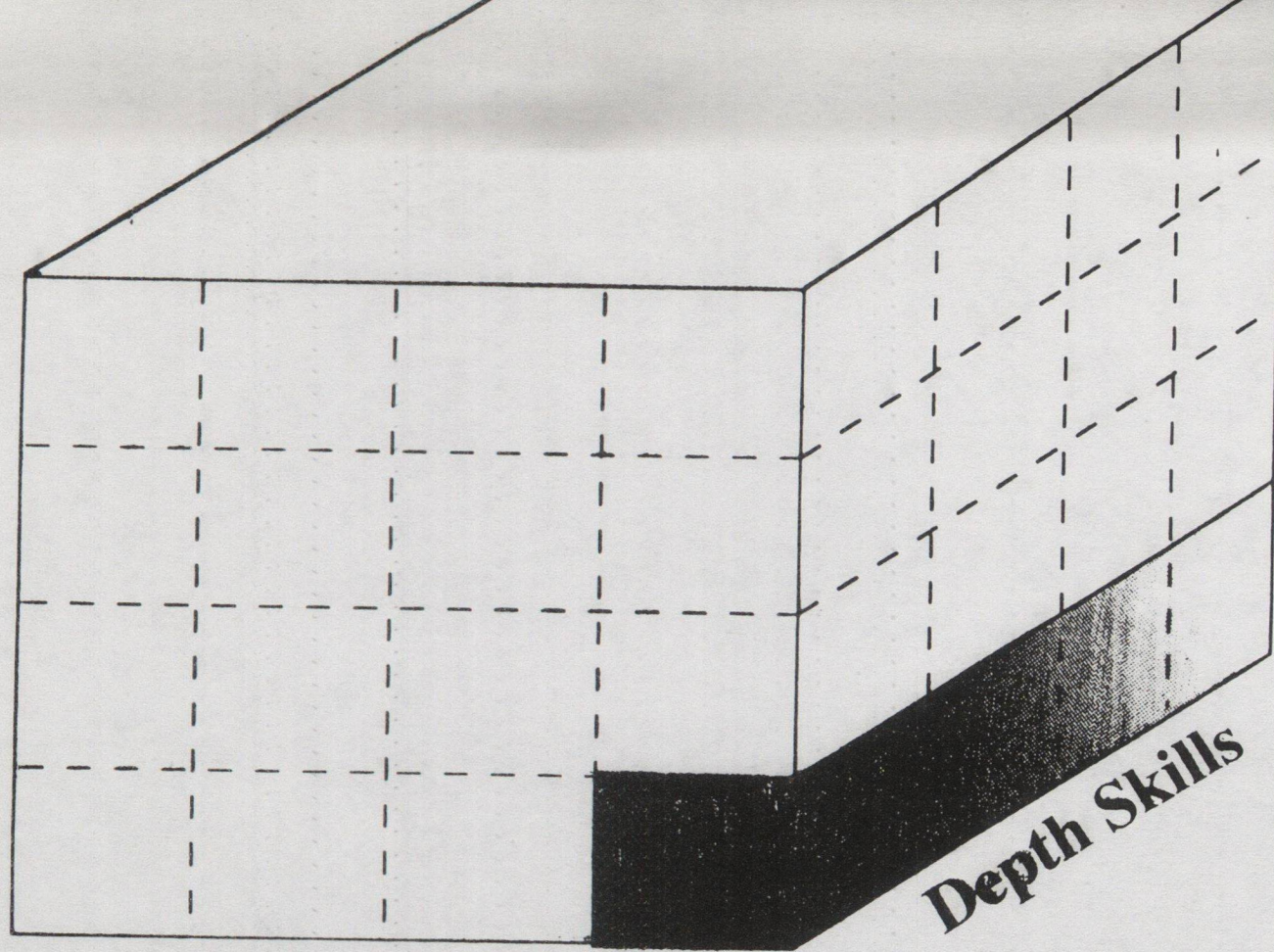
X

X

X

INDIVIDUALS

**Vertical
Skills**



Horizontal Skills

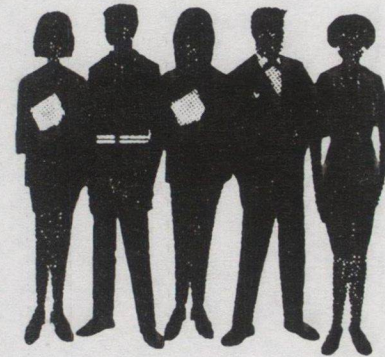
Depth Skills

Types of Skills That Skill Based Pay Can Reward

Project Teams

1. Work

- ♦ Temporary
- ♦ Uncertain
- ♦ Multiple Perspectives



2. Identifiable Output/Objectives

3. Resources Available

4. Management Support

Project Teams Success Factors

Manage As Performing Units

- Reward
- Leadership

Link To Customers

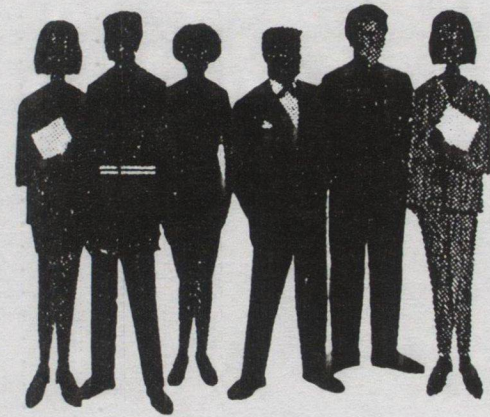
- Internal
- External

Managerial Authority

Supportive Organizational Systems

Cross Training

Resources



Overlay Teams

1. Work

- Ongoing
- Interdependent
- Uncertain



2. Diverse Perspectives

3. Supportive Management

4. Measurement Possible

Overlay Teams Success Factors

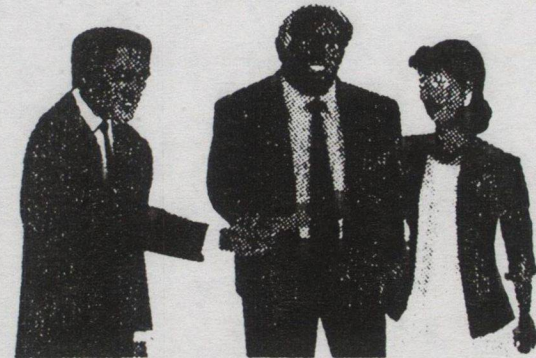
Appropriate Authority

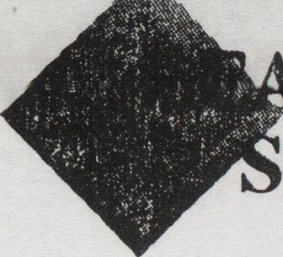
Cross Training

Rewards For Activity

Link To Internal Units

Resources





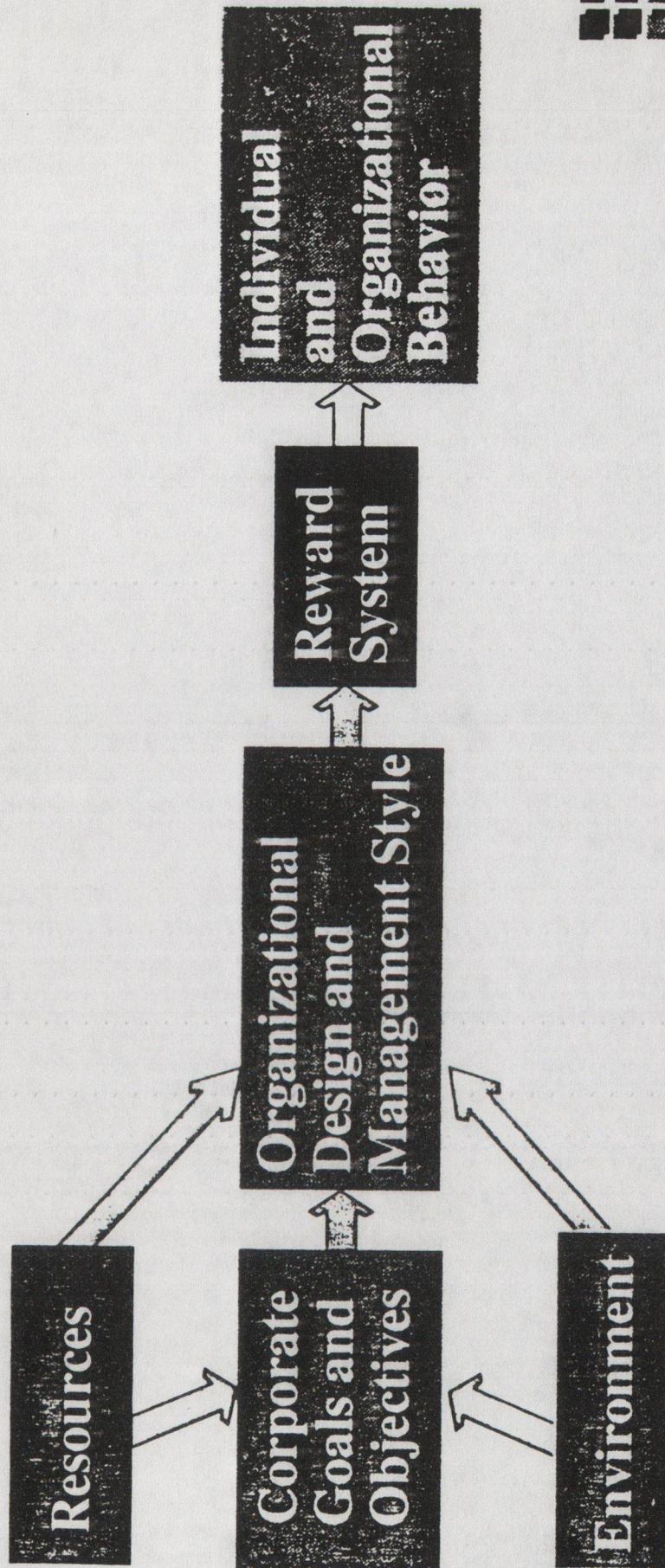
LEADING TEAMS IN KNOWLEDGE WORK SETTINGS: ROLE OF THE MANAGER

- ◆ **Communicates and clarifies business direction**
- ◆ **Shares business information to enable action**
- ◆ **Makes sure teams have the appropriate knowledge
and skill mix**
- ◆ **Help teams obtain needed resources**
- ◆ **Networks with people in other parts of the organization**
- ◆ **Encourages decision-making involvement**
- ◆ **Supports the use of disciplined decision-making
processes**

Percent of Companies Having

	1987	1990	1993
Profit Sharing	65	64	66
Gain Sharing	26	40	41
Stock Ownership	61	63	71
Knowledge/ Skill-Based Pay	40	51	58
Flexible Benefits	34	55	78

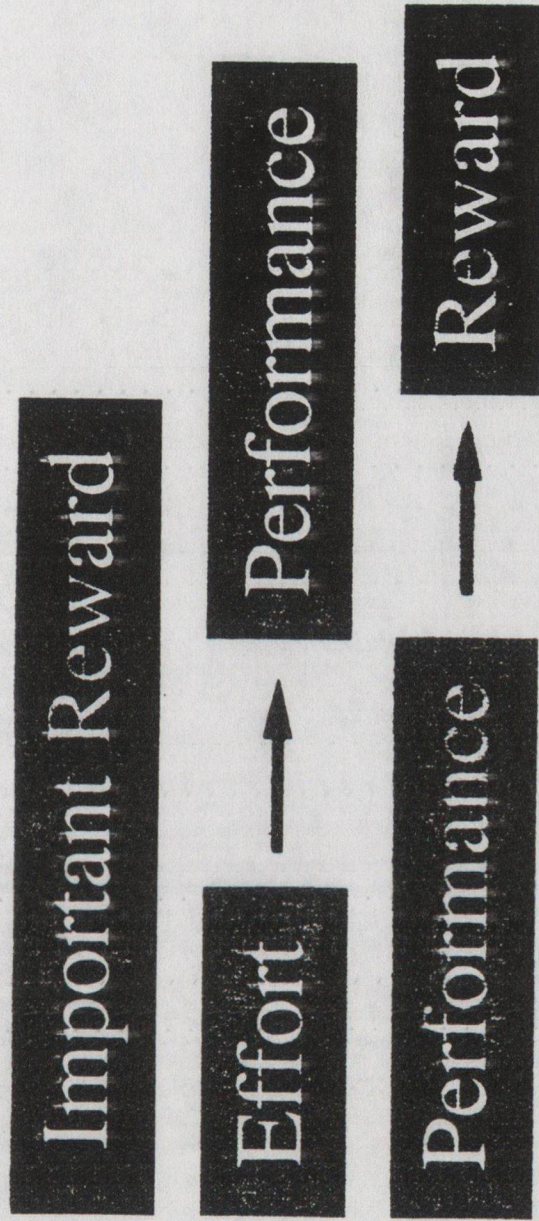




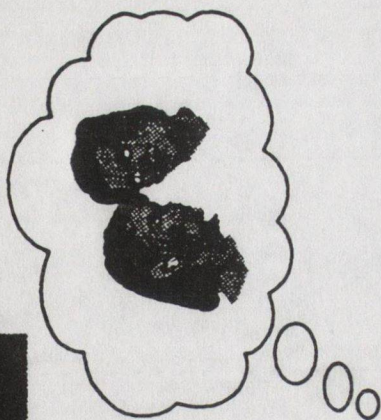
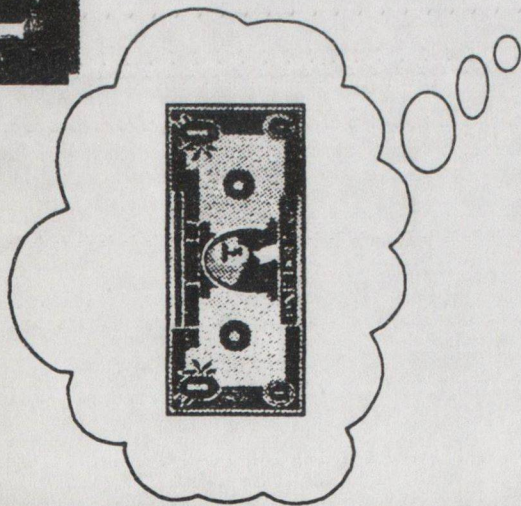
Basic Motivation Learnings

1. People may differ in what they value
2. People may not be able to tell you what they value
3. Expectations → Motivation
4. Satisfaction → Membership

Motivation



Think About Most



Money

40%

Sex

13

Both

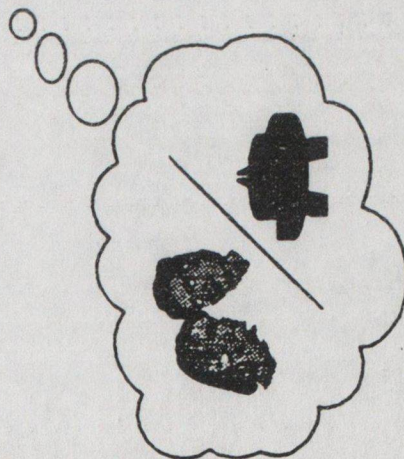
14

Neither

25

Don't Know

8



C E

Reward Design

Base

Variable

Job Size

Skills/Competencies

Individual Performance

Team Performance

Unit Performance

Company Performance

Advantages

Control

Market Test

Internal Career Movement

Objective

Chances for Involvement

Well Developed Technology



Disadvantages

Cost

Management Style

What Not to Do

Reinforce Hierarchy

Value Orientation

Internal Focus

Organize Change

Strategic Orientation

Point Grabbing

Honesty

Career Orientation/Promotion

Other Uses

Key Issues in Skill-Based Pay

- **Identify Skills**
- **Price Skills**
- **Test For Skills**
- **Determine Desired Mix**
- **Set Access Rules**
- **Determine Cost Benefit**
- **Training Support**
- **Development Model: Participative**
- **Transitional Model**



Skill-Based Pay Success Factors

- 1. Employee involvement in the design and administration of the plan**
- 2. Work system characteristics**
 - Team-based structure
 - Other than simple, functional structure
 - Employee involvement culture
- 3. Technology characteristics**
 - Capital intensity
 - Need for skilled and/or flexible employees
 - Low to moderate level of technological & system change

Skill-Based Pay Success Factors (Cont'd)

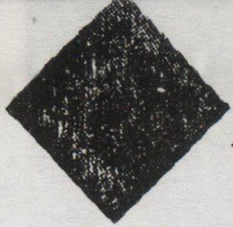
4. Management style

- Supportive of SBP concept
- Patient
- Competent
- Open to criticism

5. Employees

- Interested in & able to learn new skills
- Not near retirement

6. Redesign Capability



ADVANTAGES OF SKILL-BASED PAY

Flexibility

**Adjustment to Turnover, Absenteeism, Training
Covers Work Flow Irregularity
Supports Just-In-Time Inventory and Manufacturing
Improves Attraction and Retention
Leaner Staffing of Production Employees**

Understanding and Perspective

**Motivation for Quality and Productivity
Better Decision Making During Job Performance
New Ideas and Suggestions
Self Management
Reduced Staff and Management
Enables Business Involvement
Develop Critical Skills**

Broad Banding

- **Few Pay Grades**
- **Wide Ranges**
- **Job Slotting**

Advantages of Broad Banding

- **Less Hierarchical**
- **Less Emphasis on Promotion**
- **More Pay-For-Performance**
- **Simplified Job Evaluation**
- **Skilled-based Evaluation**
- **Horizontal Careers**
- **Job Changes**
- **Broad or No Job Descriptions**
- **Flexibility**

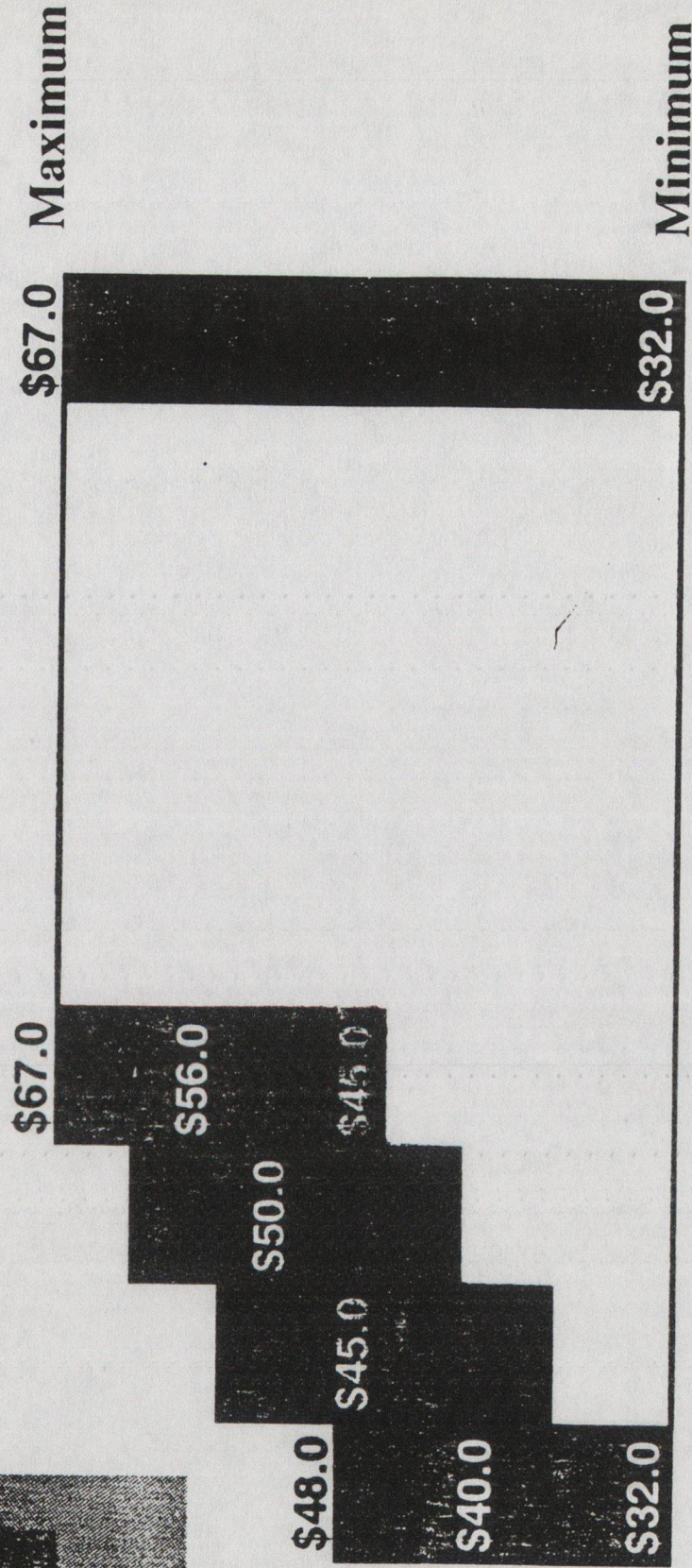
Problems with Broad Banding

- **Market Pricing**
- **Internal Equity**
- **Cost Control**
- **Status Ambiguity**
- **Culture Change/Career Orientation**
- **Training Support**

Example of Broad Banding

Traditional Ranges

New Band



Dynamic Environment

Teams

Interdependency

Flat Organizations

Small Staff

Flexibility

Employment Security

Self Management

Knowledge/ Skill Work

```
graph LR; A[Dynamic Environment  
Teams  
Interdependency  
Flat Organizations  
Small Staff  
Flexibility  
Employment Security  
Self Management  
Knowledge/ Skill Work] --> B[Pay Person]
```

Pay Person

Individual/Team Rewards

Measure/Reward Individual

Reward/Individual, Special Awards for Teamwork

Reward/Individual, Measure Teamwork

Group Pool, Measure Reward Individual

Group Reward, Individual Reward

Group Reward, Special Individual Reward

Measure/Reward Group

Individual Level

Performance Appraisal - Keys to Success

- Top Driven**
- Support Measures**
- Job Design**
- Joint Goals**
- Achievable Goals**
- Pre-Review of Performance**
- Tied to Reward**
- Separate Career Discussion**
- Existing Superior/Subordinate Relationships**
- Superior Subordinate Training**
- Regular Schedule**

Additional Characteristics

Appeal Process

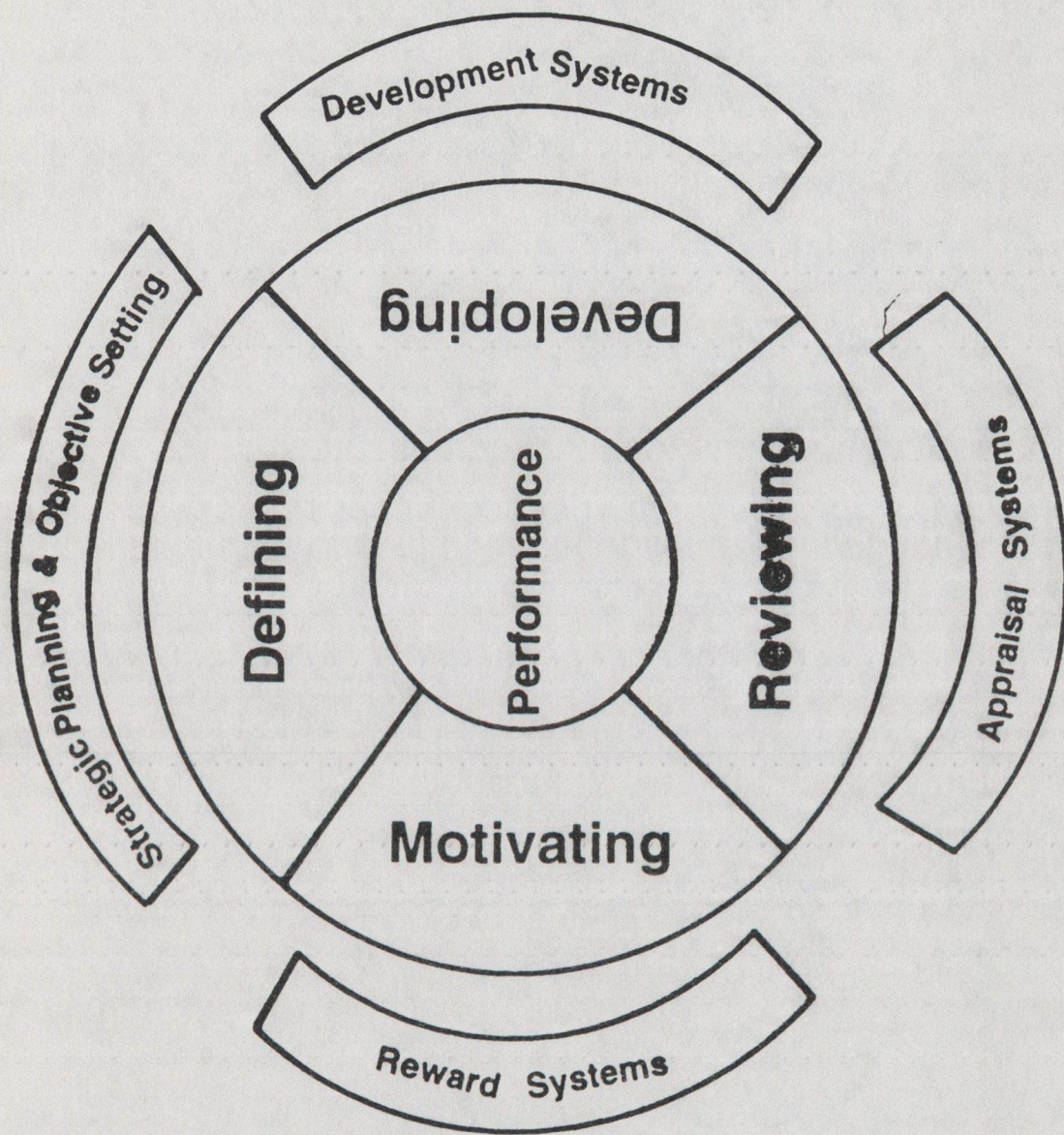
Behavior-Based Measures

Appropriate Distribution

Correct Appraiser or Appraisers



Performance Management Model



GRANT TOWN

THE KEY TO
GETTING A GOOD
PERFORMANCE
REVIEW-



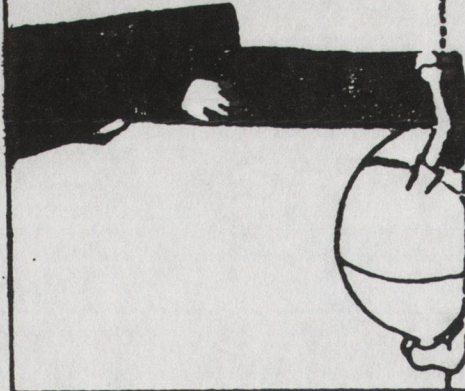
-AS WITH MANY
OTHER THINGS-



-IS HAVING
THE RIGHT
ATTITUDE



SUPERVISOR



Development Process- Design Considerations

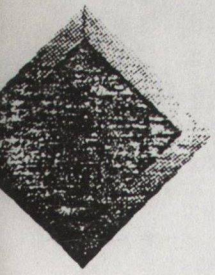
- **Level Of Measurement**
- **Measures**
- **Standard/PAR**
- **Coverage**
- **Frequency**
- **Formula or Discretionary**
- **Market Position of Pay**
- **Fit Business Strategy/Management Style**
- **Maintenance/Assessment**
- **Approach To Development**

Characteristics of Gain Sharing Plans

- **Plant Unit or Organization-Wide Basis**
- **Same Percentage for Everyone**
- **Monthly**
- **Reserve Fund**
- **Historical Standard**
- **Labor, Materials and Supplies Covered**
- **Suggestion System**
- **Open Information System**
- **Joint Committee Structure**

Line of Sight





Frequent Problems With Gain Sharing Plans

1. Formula Structure

Inappropriate payouts. Not reflective of employee behavior. Employees see no relationship between performance and reward.

2. Formula Change

Formula does not change as products, technology and organization. No process to allow for change.

3. Payout Level

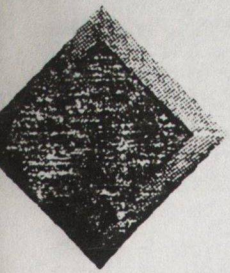
Need some bonuses, especially at beginning. Base level too high.

4. Management Attitudes

Non participative. Considered only as pay incentive plan.

5. Plan Focus

Exclusive focus on labor costs when others are also great and controllable.



Frequent Problems With Gain Sharing Plans

(continued)

6. Communication

Employees must understand and trust the plan.
Need much communication and education.

7. Union Cooperation

Insufficient local support.

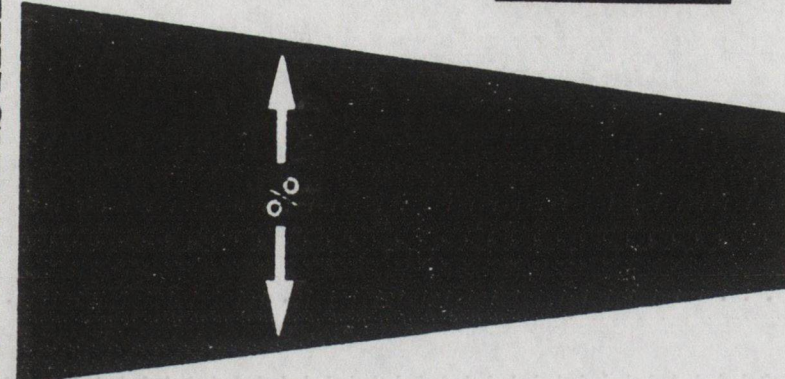
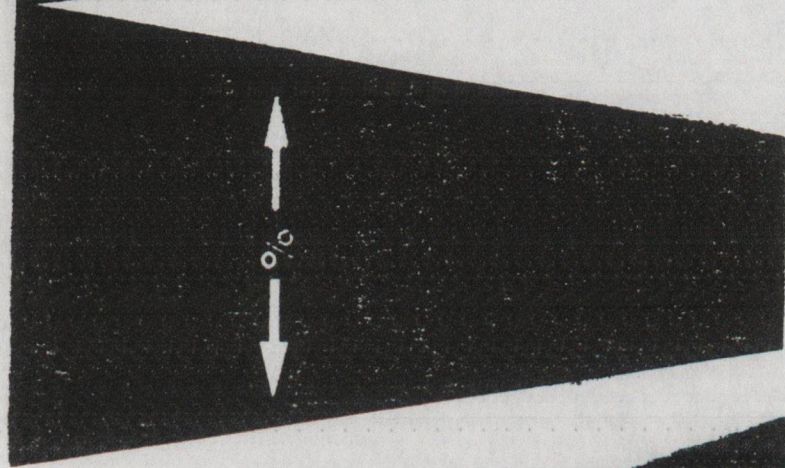
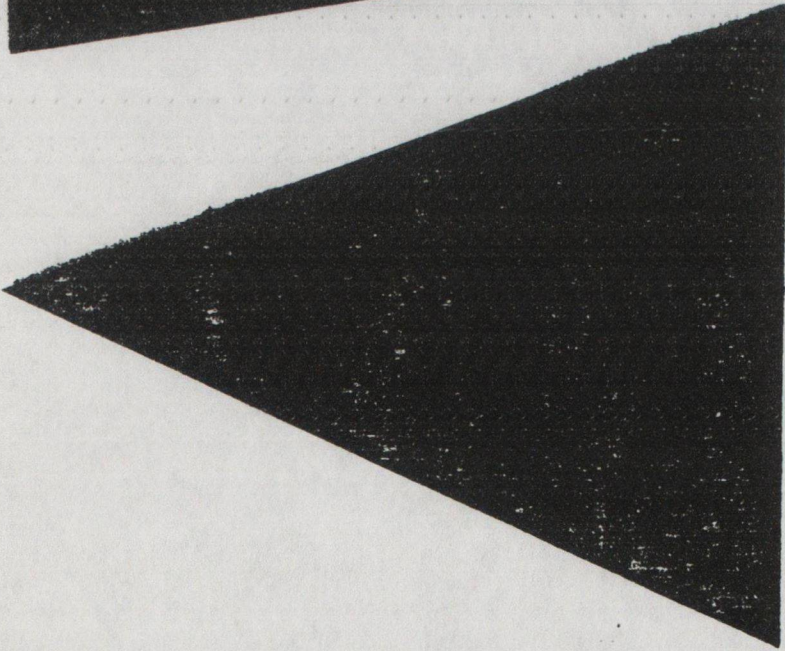
8. Threat to Supervisor

Changes roles. Must deal with many
suggestions. Competence tested and questioned.

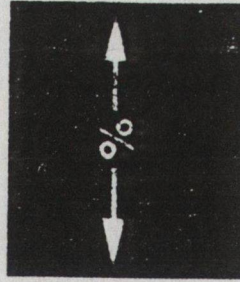
9. Participative Structure

Sometimes not implemented. Given short
shift or poorly managed. Required to give
employee control over performance.

P.S. OWNERSHIP



G.S.



Characteristics of New Plants

- **Employment Security**
- **Flat Organization Structure**
- **Self Managed Teams**
- **Human Resources Oriented Management Philosophy**
- **Egalitarian Perquisites**
- **Skill Based Pay System**
- **Open Information Systems**
- **A Participative Council or Other Structure**
- **Team Based Pay Selection and Promotion Decisions**
- **Selection Based on "Realistic Preview"**
- **All Salary Pay**



New New Plant

Economic Participation

Person Based Pay

Total Team Environment

Information Technology

Quality Technology

Egalitarian/All Managers

Business Integration

Self Design Capability

Employment Stability

Flat Product Based Structure

Selection and Training Commitment

Efficient Resource Utilization

Customer/Supplier Relationships

Continuous Improvement

Business Involvement Philosophy

Information

Information Technology

All Hands Meeting

Gainsharing/Profit Sharing

Surveys

Financial Reviews

Suggestion System

Power

Teams

Job Enrichment

Task Forces

Quality Circles

Participative Leadership

Mini Enterprises

Flat/Lean Structure

Knowledge

Group/Team Skills

Business Economics

Skill Based Pay

Problem Solving

Cross Training

Peer Assessment

Rewards

Gainsharing

Profitsharing

Skill Based

Egalitarian

Job Security

Participative Design

Flexible Benefits

Role Of Management

Vision/Strategy

Monitor Environment

Train/Coach

Monitor Decisions

Challenge Organization/Goal Setting

Culture Management

Symbols

Role Modeling

Help, Do-Don't Watch



Successful Organization-Wide Programs

- **Related to Business Strategy**
- **System Congruence**
- **Organization-Wide**
- **No Prescribed Technology**
- **Adaptive/Developmental Organization**
- **Top Management Support/Vision**
- **Symbols Consistent**
- **Long Term Orientation**

Attraction of New +
Dissatisfaction with Existing =
Felt Need for Change

Disenchantment with Existing

Benchmarking

Improved Measures

Higher Standards

**Recognize Major Technological,
Social or Competitive Changes**

Contrast to Ideal

Attractiveness of New

Vision

Invent It

See It

Rewarded For Attaining It

Values Appeal

Incorporate Valued Parts Of Old

Dinosaur Repellent

Culture

- Question Success
- Discuss Anything
- Make it Better

Benchmark All Organizations

Assess - Assess

Organize Around Customers

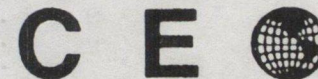
Listen to Customers

Slack for Innovation

Value and Reward Innovation

Attack Established Products

Select and Develop Wild Geese





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